



REVISED GENERAL FUND BALANCE SHEET PROJECTION (After the 10/13/2015 REC Meeting)

Revised Revenue Estimates. The [Revenue Estimating Conference \(REC\)](#) met October 13, 2015, and revised the FY 2016 revenue estimate and adopted the first estimate for FY 2017. The REC estimate for FY 2016 totaled \$7,054.5 million and represents an increase of \$234.8 million (3.4%) compared to the actual FY 2015 net General Fund receipts. The FY 2017 REC estimate totaled \$7,348.9 million, an increase of \$294.4 million (4.2%) compared to the revised FY 2016 estimate.

Revised Balance Sheet. The attached General Fund balance sheet and supporting tables incorporate the REC estimates and include a revised estimate for FY 2016 and a projection of the budget for FY 2017. The FY 2017 projection is intended to assist the General Assembly in evaluating budget decisions for the next fiscal year. The appropriation estimates for FY 2017 are largely based on the following assumptions:

- The enacted appropriations from FY 2016 are used as the baseline for FY 2017.
- Expenditures for FY 2017 are analyzed by LSA staff to account for the automatic increases or decreases (built-in and anticipated expenditures) over and above the baseline estimate prior to legislative action. These appropriation changes are generally established in the Iowa Code; however, in some instances reasonable assumptions are applied to the estimates.
- The LSA does not assume the enactment of legislation impacting tax policy or the funding of new programs in the budget projection.
- The projection is also affected by an estimated shortfall in funding for the Medicaid Program in FY 2016. For estimating purposes, the LSA assumes a supplemental appropriation of \$76.0 million will be necessary to fully fund the Program in FY 2016.¹ The supplemental appropriation reduces the FY 2016 surplus as well as the FY 2017 carryforward funds.

The estimates included on the balance sheet will be re-evaluated after the December 2015 REC meeting, and again after the Governor makes his budget recommendations.

Based on the current REC estimates and the assumptions listed above, the estimated surplus for FY 2016 is \$187.7 million. For FY 2017, the surplus will decrease to \$74.6 million assuming all of the built-in and anticipated expenditures are funded. While the projected appropriations in FY 2017 exceed the expenditure limitation by \$4.7 million, there are numerous options available to adjust the appropriations in order to meet the expenditure limitation requirement.

Reserve Funds. The state's two reserve funds are projected to remain full in FY 2017 at 10.0% of the adjusted revenue estimate. For FY 2016, the combined balances in the Cash Reserve and Economic Emergency Funds are estimated at \$718.7 million and are projected to increase to \$734.9 million in FY 2017.

STAFF CONTACTS: Holly Lyons (515-281-7845) holly.lyons@legis.iowa.gov
Dave Reynolds (515-281-6934) david.reynolds@legis.iowa.gov

¹ The estimated funding shortfall in FY 2016 for the Medicaid Program was provided by the Department of Human Services.

State of Iowa Projected Condition of the General Fund Budget (Dollars in Millions)			
	Actual FY 2015	Estimated FY 2016	Projected FY 2017
Funds Available:			
Receipts	\$8,090.9	\$ 8,388.8	\$ 8,719.2
Refund (Accrual Basis)	- 967.9	- 991.0	- 1,021.0
School Infrs. Refunds (Accrual)	- 450.5	- 457.4	- 475.1
Accruals (Net)	19.6	17.7	29.6
Transfers	127.6	96.4	96.2
Subtotal Receipts	6,819.7	7,054.5 ^{1/}	7,348.9 ^{1/}
Surplus Carryforward (EEF Excess)	642.2	376.8	163.1
Total Funds Available	\$7,461.9	\$ 7,431.3	\$ 7,512.0
Expenditure Limitation			\$ 7,438.5
Estimated Appropriations and Expenditures:			
Enacted Appropriations/FY 2017 Baseline	\$7,050.4	\$ 7,174.3	\$ 7,174.3
Adjustment to Standings	13.0		
Supplemental (Medicaid)		76.0 ^{2/}	
Built-in and Anticipated Increases			268.9
Total Appropriations	\$7,063.4	\$ 7,250.3	\$ 7,443.2
Reversions	- 7.2	- 6.7	- 5.8
Net Appropriations	\$7,056.2	\$ 7,243.6	\$ 7,437.4
Ending Balance - Surplus	\$ 405.7	\$ 187.7	\$ 74.6
Under (Over) Expenditure Limitation			\$ - 4.7
^{1/} The FY 2016 and FY 2017 revenue estimate represent increases of 3.4% and 4.2%, respectively, compared to FY 2015. The estimates were approved by the Revenue Estimating Conference at the October 13, 2015, meeting.			
^{2/} The Department of Human Services is estimating a \$76.0 million shortfall in the General Fund Medicaid appropriation for FY 2016.			

State of Iowa Reserve Funds			
(Dollars in Millions)			
Cash Reserve Fund (CRF)	Actual	Estimated	Projected
	FY 2015	FY 2016	FY 2017
Funds Available			
Balance Brought Forward	\$ 489.3	\$ 522.3	\$ 539.0
Gen. Fund Transfer from Surplus	706.8	405.7	187.7
Total Funds Available	\$ 1,196.1	\$ 928.0	\$ 726.7
Appropriations & Transfers			
Appropriations	\$ 0.0	\$ 0.0	\$ 0.0
Total Appropriations & Transfers	\$ 0.0	\$ 0.0	\$ 0.0
Excess Transferred to EEF	-673.8	-389.0	-175.5
Balance Carried Forward	\$ 522.3	\$ 539.0	\$ 551.2
<i>Maximum 7.5%</i>	\$ 522.3	\$ 539.0	\$ 551.2
Economic Emergency Fund (EEF)	Actual	Estimated	Projected
	FY 2015	FY 2016	FY 2017
Funds Available			
Balance Brought Forward	\$ 180.6	\$ 179.5	\$ 179.7
Excess from Cash Reserve	673.8	389.0	175.5
Total Funds Available	\$ 854.4	\$ 568.5	\$ 355.2
Appropriations & Transfers			
Excess Transferred to General Fund	\$ - 642.2	\$ - 376.8	\$ - 163.1
Excess Transferred to Taxpayer Trust Fund	0.0	0.0	0.0
Executive Council - Performance of Duty	-32.7	-12.0	-8.4
Balance Carried Forward	\$ 179.5	\$ 179.7	\$ 183.7
<i>Maximum 2.5%</i>	\$ 174.1	\$ 179.7	\$ 183.7
Combined Reserve Fund Balances	Actual	Estimated	Projected
	FY 2015	FY 2016	FY 2017
Cash Reserve Fund	\$ 522.3	\$ 539.0	\$ 551.2
Economic Emergency Fund	179.5	179.7	183.7
Total CRF and EEF	\$ 701.8	\$ 718.7	\$ 734.9

STATE OF IOWA FY 2017 General Fund Built-in and Anticipated Expenditures Preliminary Estimates October 2015 (Dollars in Millions)	
	LSA
	Estimates
<u>Built-in Changes</u>	
Human Services - Medical Assistance	\$ 65.0
Education - K-12 School Foundation Aid (0% Growth) ¹	53.5
Human Services - Iowa Health and Wellness Program	25.0
Revenue - Business Property Tax Credit	25.0
Natural Resources - REAP	20.0
Education - Education Reform High Need Schools	10.0
Management - State Appeal Board Claims	4.6
Revenue - Property Tax Credits	1.8
Economic Development Authority - STEM	1.0
Human Services - Adoption Subsidy	0.5
Economic Development Authority - World Food Prize	0.3
College Aid - Iowa Tuition Grant (nonprofit) Standing	-2.9
Human Services - hawk-i	-9.0
Total Built-in Changes	\$ 194.8
<u>Anticipated Expenditure Changes</u>	
DOM - Salary Adjustment	\$ 68.6
Corrections - Institutional Realignment	2.0
Corrections - Fund Hepatitis C Drug Costs at Oakdale	1.3
Corrections - County Billings	1.0
Public Safety - Peace Officer Retirement	0.9
Public Health - Healthy Children and Families	0.2
Corrections - Staff Additional Prison Beds	0.1
Subtotal	\$ 74.1
Total Expenditure Increases	\$ 268.9
¹ The K-12 School Foundation Aid built-in estimate for FY 2017 is based on a 0% percent growth factor. In addition to the 0% estimate list on the table, the estimated increase for 2% growth is \$136.6 million and \$221.6 million for 4% growth.	

Taxpayers Trust Fund

(Dollars in Millions)

	<u>Actual FY 2014</u>	<u>Actual FY 2015</u>	<u>Estimated FY 2016</u>	<u>Projected FY 2017</u>
Funds Available				
Balance Brought Forward	\$ 60.0	\$ 35.5	\$ 7.8	\$ 7.8
Economic Emergency Transfer	60.0	0.0	0.0	0.0
Reversion from Taxpayer Trust Fund Tax Credit Fund	35.5	7.8	0.0	0.0
Total Funds Available	<u>\$ 155.5</u>	<u>\$ 43.3</u>	<u>\$ 7.8</u>	<u>\$ 7.8</u>
Total Expenditures	<u>\$ 120.0</u>	<u>\$ 35.5</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
Balance Carried Forward	<u>\$ 35.5</u>	<u>\$ 7.8</u>	<u>\$ 7.8</u>	<u>\$ 7.8</u>

Taxpayers Trust Fund Tax Credit Fund

(Dollars in Millions)

	<u>Actual FY 2014</u>	<u>Actual FY 2015</u>	<u>Estimated FY 2016</u>	<u>Projected FY 2017</u>
Funds Available				
Balance Brought Forward	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Transfer from Taxpayer Trust Fund	120.0	35.5	0.0	0.0
Interest	0.1	0.0	0.0	0.0
Total Funds Available	<u>\$ 120.1</u>	<u>\$ 35.5</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
Expenditures				
Transfer to General Fund (Reimb. for payment of tax credits)	\$ 84.6	\$ 27.7	\$ 0.0	\$ 0.0
Reversion to the Taxpayer Trust Fund	35.5	7.8	0.0	0.0
Total Expenditures	<u>\$ 120.1</u>	<u>\$ 35.5</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
Balance Carried Forward	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>

State Tax Credit Expected Claims Projection (Dollars in Millions)			
Tax Credit Program	FY 2015	FY 2016	FY 2017
<u>Capped Programs</u>			
Accelerated Career Education Tax Credit	\$ -3.5	\$ -3.9	\$ -3.9
Agricultural Assets Transfer Tax Credit	-3.4	-4.9	-5.4
Custom Farming Contract Tax Credit	-0.0	-0.0	-0.1
Endow Iowa Tax Credit	-5.5	-5.0	-5.1
Enterprise Zone Program	-13.7	-7.7	-3.8
Enterprise Zone Program - Housing Component	-8.6	-19.6	-16.0
Film, Television, and Video Project Promotion Program - Awarded	-0.0	-0.0	-0.0
High Quality Job Program	-14.9	-31.5	-32.4
Historic Preservation and Cultural and Entertainment District Tax Credit	-14.9	-55.8	-50.3
Redevelopment Tax Credit	-2.5	-4.6	-7.2
Renewable Energy Tax Credit	-3.7	-7.5	-13.8
School Tuition Organization Tax Credit	-9.0	-12.3	-12.5
Solar Energy System Tax Credit	-2.2	-3.6	-4.1
Venture Capital Tax Credit - Innovation Fund	-1.0	-2.2	-3.9
Venture Capital Tax Credit - Iowa Fund of Funds	0.0	-1.4	-0.8
Venture Capital Tax Credit - Qualified Bus. or Comm.-Seed Capital Fund	-0.1	-2.0	-3.4
Venture Capital Tax Credit - Venture Capital Funds	-0.0	-0.1	-0.0
Wage-Benefits Tax Credit	-0.0	0.0	0.0
Wind Energy Production Tax Credit	-1.0	-1.9	-1.6
Workforce Housing Tax Incentive Program	0.0	-2.4	-8.0
Total Capped Programs	\$ -84.3	\$ -166.4	\$ -172.1
<u>Uncapped Programs</u>			
Adoption Tax Credit	\$ -0.3	\$ -0.8	\$ -0.8
Biodiesel Blended Fuel Tax Credit	-14.1	-18.3	-17.9
Charitable Conservation Contribution Tax Credit	-0.5	-0.7	-0.7
Child and Dependent Care Tax Credit	-4.1	-6.2	-5.8
E15 Gasoline Promotion Tax Credit	-0.1	-0.2	-0.3
E85 Gasoline Promotion Tax Credit	-1.8	-2.1	-2.5
Early Childhood Development Tax Credit	-1.0	-1.1	-1.2
Earned Income Tax Credit	-71.1	-70.6	-69.6
Ethanol Promotion Tax Credit	-1.8	-1.8	-1.6
Farm to Food Donation Tax Credit	-0.0	-0.0	-0.1
Geothermal Heat Pump Tax Credit	-2.2	-3.1	-3.5
Iowa Industrial New Job Training Program (260E)	-36.1	-44.2	-43.3
New Capital Investment Program	-0.3	-0.4	-0.2
New Jobs and Income Program	-0.1	-0.2	-0.1
Research Activities Tax Credit	-44.6	-53.7	-58.4
Supplemental Research Activities Tax Credit	-6.1	-13.1	-6.9
Targeted Jobs Tax Credit from Withholding	-3.3	-5.2	-5.8
Tuition and Textbook Tax Credit	-15.1	-15.2	-15.2
Volunteer Firefighter and EMS Tax Credit	-1.4	-1.4	-1.4
Total Uncapped Programs	\$ -204.0	\$ -238.5	\$ -235.3
Tax Credit Program Total	\$ -288.3	\$ -404.9	\$ -407.4
Notes: These estimates are based on the Tax Credit Expected Claims Projection published by the Department of Revenue in October 2015. In previous reports, the LSA has included the Tax Credit Contingent Liabilities, which represent the total tax credits that could potentially be claimed against the State. The table above reflects the tax credits that are likely to be claimed in a given fiscal year based on previous experience. The projected claims are incorporated in the FY 2016 and FY 2017 REC revenue estimates. The numbers may not equal totals due to rounding.			